

LOCKPORT, FABIUS, PARK TOWNSHIPS
FIRE DEPARTMENT
St. Joseph County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

| | | | |
|--|-------------------------------|--|----------------------|
| Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other | | Local Unit Name Lockport, Fabius, Park Townships Fire Dept. | County St. Joseph |
| Fiscal Year End March 31, 2008 | Opinion Date July 23, 2008 | Date Audit Report Submitted to State July 24, 2008 | |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

| | | | |
|--|-------------------------------------|--|-------------|
| We have enclosed the following: | Enclosed | Not Required (enter a brief justification) | |
| Financial Statements | <input checked="" type="checkbox"/> | | |
| The letter of Comments and Recommendations | <input checked="" type="checkbox"/> | | |
| Other (Describe) | <input type="checkbox"/> | N/A | |
| Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C. | | Telephone Number 989-894-1040 | |
| Street Address 512 N. Lincoln, Suite 100, P.O. Box 686 | | City Bay City | State MI |
| Zip 48707 | | License Number 1101007803 | |
| Authorizing CPA Signature  | | Printed Name Mark J. Campbell | |

LOCKPORT, FABIUS, PARK TOWNSHIPS FIRE DEPARTMENT
St. Joseph County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

July 23, 2008

To the Fire Board
Lockport, Fabius, Park Townships Fire Department
St. Joseph County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Lockport, Fabius, Park Townships Fire Department, St. Joseph County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Fire Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lockport, Fabius, Park Townships Fire Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Lockport, Fabius, Park Townships Fire Department, St. Joseph County, Michigan as of March 31, 2008, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

LOCKPORT, FABIUS, PARK TOWNSHIPS FIRE DEPARTMENT
St. Joseph County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Lockport, Fabius, Park Townships Fire Department covers the Department's financial performance during the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2008 totaled \$803,994.73. Total revenues were \$415,055.72, which included \$180,000.00 contributed by the Townships to purchase a parcel of land. The increase in net assets of \$143,681.50 included a \$87,922.14 depreciation deduction. We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Fire Department and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Fire Department as a whole using accounting methods used by private companies. The statement of net assets includes all of the Fire Department's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the Fire Department's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the Fire Department you may also have to consider additional factors such as the financial strength of Lockport, Fabius and Park Townships, the Fire Department's facility conditions and personnel changes.

FUND FINANCIAL STATEMENTS

There are no fund financial statements as the Fire Department has only one fund.

LOCKPORT, FABIUS, PARK TOWNSHIPS FIRE DEPARTMENT
St. Joseph County, Michigan

CONDENSED FINANCIAL INFORMATION
For the year ended March 31, 2008

| | <u>Total Governmental Activities 2007</u> | <u>Total Governmental Activities 2008</u> |
|----------------------------|---|---|
| Current Assets | 45 824 | 68 851 |
| Capital Assets | <u>625 589</u> | <u>763 694</u> |
| Total Assets | <u>671 413</u> | <u>832 545</u> |
| Current Liabilities | 11 099 | 28 551 |
| Non-current Liabilities | <u>-</u> | <u>-</u> |
| Total Liabilities | <u>11 099</u> | <u>28 551</u> |
| Net Assets: | | |
| Invested in Capital Assets | 625 589 | 763 694 |
| Unrestricted | <u>34 724</u> | <u>40 301</u> |
| Total Net Assets | <u><u>660 313</u></u> | <u><u>803 995</u></u> |

| | <u>Total Governmental Activities 2007</u> | <u>Total Governmental Activities 2008</u> |
|-----------------------------------|---|---|
| Program Revenues: | | |
| Fees and Charges for Services | 191 800 | 413 350 |
| General Revenues: | | |
| Interest | 479 | 480 |
| Miscellaneous | <u>217</u> | <u>1 226</u> |
| Total Revenues | <u>192 496</u> | <u>415 056</u> |
| Program Expenses: | | |
| Public Safety | <u>260 956</u> | <u>271 374</u> |
| Total Expenses | <u>260 956</u> | <u>271 374</u> |
| Increase (Decrease) in Net Assets | (68 460) | 143 682 |
| Net Assets, April 1 | <u>728 773</u> | <u>660 313</u> |
| Net Assets, March 31 | <u><u>660 313</u></u> | <u><u>803 995</u></u> |

LOCKPORT, FABIUS, PARK TOWNSHIPS FIRE DEPARTMENT
St. Joseph County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

FINANCIAL ANALYSIS OF THE FIRE DEPARTMENT AS A WHOLE

During the year, the Department maintained the station building and equipment we have. We purchased new equipment totaling \$36,948.40, some of which was to replace worn out equipment. We did not purchase any fire trucks. For the location of the new fire station, we purchased a parcel of land at a cost of \$184,957.49. In addition, we have incurred \$4,260.00 of costs in connection with the new station project. The building project committee worked on the planning of the new fire station building.

FINANCIAL ANALYSIS OF THE FIRE DEPARTMENT'S FUNDS

The Fire Department has only one fund. Please refer to the financial highlights section of this report for summary information or refer to the financial statement for more detailed information about the financial position and results of operations of our department.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Fire Department invested \$226,165.89 in capital assets in the current fiscal year.

The Fire Department has no long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

Future funding of the Fire Department is dependent on the financial support from and the financial stability of Lockport, Fabius and Park Townships. The building project committee is continuing work on the plans for the final design of the station and on getting a more precise cost estimate. At this time, Fabius and Park Townships have implemented plans to fund their share of the new fire station construction and Lockport Township is awaiting the results of a millage vote which is to take place on August 5, 2008. If the millage vote passes, Lockport Township will be able to fund their share of the new station project and the construction will begin soon after the vote. If the August millage vote fails, the millage request will be put to the voters again on the November 2008 ballot.

CONTACTING THE FIRE DEPARTMENT'S MANAGEMENT

This financial report is designed to provide our investors and customers with a general overview of the Fire Department's finances and to demonstrate the Fire Department's accountability for the revenues it receives. If you have any questions concerning this report, please contact one of the Fire Department's board members. They are:

| | |
|---------------------------|----------------|
| David Brueck, President | (269) 467-7176 |
| Joe Eichorn, Treasurer | (269) 279-2106 |
| Bob Wortinger, Trustee | (269) 279-9436 |
| Patricia Burke, Secretary | (269) 279-7402 |

LOCKPORT, FABIUS, PARK TOWNSHIPS FIRE DEPARTMENT
St. Joseph County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

March 31, 2008

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| ASSETS: | |
| CURRENT ASSETS: | |
| Cash in bank | 57 416 14 |
| Accounts receivable | 1 250 00 |
| Prepaid expenses | <u>10 185 27</u> |
| Total Current Assets | <u>68 851 41</u> |
| NON-CURRENT ASSETS: | |
| Capital Assets | 1 674 179 50 |
| Less: Accumulated Depreciation | <u>(910 485 55)</u> |
| Total Non-current Assets | <u>763 693 95</u> |
| TOTAL ASSETS | <u><u>832 545 36</u></u> |
| LIABILITIES AND NET ASSETS: | |
| LIABILITIES: | |
| CURRENT LIABILITIES: | |
| Accounts payable | <u>28 550 63</u> |
| Total Current Liabilities | <u>28 550 63</u> |
| NON-CURRENT LIABILITIES | <u>-</u> |
| Total Non-current Liabilities | <u>-</u> |
| Total Liabilities | <u>28 550 63</u> |
| NET ASSETS: | |
| Invested in Capital Assets, Net of Related Debt | 763 693 95 |
| Unrestricted | <u>40 300 78</u> |
| Total Net Assets | <u>803 994 73</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>832 545 36</u></u> |

The accompanying notes are an integral part of these financial statements.

LOCKPORT, FABIUS, PARK TOWNSHIPS FIRE DEPARTMENT
St. Joseph County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

| | <u>Expenses</u> | <u>Program Revenue</u> | <u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u> |
|-------------------------------|-------------------|----------------------------|--|
| FUNCTIONS/PROGRAMS | | | |
| Governmental Activities: | | | |
| Public safety | <u>271 374 22</u> | <u>413 350 00</u> | <u>141 975 78</u> |
| Total Governmental Activities | <u>271 374 22</u> | <u>413 350 00</u> | <u>141 975 78</u> |
| General Revenues: | | | |
| Interest | | | 480 02 |
| Miscellaneous | | | <u>1 225 70</u> |
| Total General Revenues | | | <u>1 705 72</u> |
| Change in net assets | | | 143 681 50 |
| Net assets, beginning of year | | | <u>660 313 23</u> |
| Net Assets, End of Year | | | <u>803 994 73</u> |

The accompanying notes are an integral part of these financial statements.

LOCKPORT, FABIUS, PARK TOWNSHIPS FIRE DEPARTMENT
St. Joseph County, Michigan

BALANCE SHEET – GOVERNMENTAL FUND
March 31, 2008

| | <u>Total (General)</u> |
|------------------------------------|----------------------------|
| <u>Assets</u> | |
| Cash in bank | 57 416 14 |
| Accounts receivable | 1 250 00 |
| Prepaid expenses | <u>10 185 27</u> |
| Total Assets | <u><u>68 851 41</u></u> |
| <u>Liabilities and Fund Equity</u> | |
| Liabilities: | |
| Accounts payable | <u>28 550 63</u> |
| Total liabilities | <u><u>28 550 63</u></u> |
| Fund equity: | |
| Fund balance: | |
| Unreserved: | |
| Undesignated | <u>40 300 78</u> |
| Total fund equity | <u><u>40 300 78</u></u> |
| Total Liabilities and Fund Equity | <u><u>68 851 41</u></u> |

The accompanying notes are an integral part of these financial statements.

LOCKPORT, FABIUS, PARK TOWNSHIPS FIRE DEPARTMENT
St. Joseph County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUND
TO THE STATEMENT OF NET ASSETS
March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS 40 300 78

Amounts reported for governmental activities in the statement of
net assets are different because –

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the governmental funds balance sheet:

| | |
|--------------------------|---------------------|
| Capital assets at cost | 1 674 179 50 |
| Accumulated depreciation | <u>(910 485 55)</u> |

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES 803 994 73

The accompanying notes are an integral part of these financial statements.

LOCKPORT, FABIUS, PARK TOWNSHIPS FIRE DEPARTMENT
St. Joseph County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUND
Year ended March 31, 2008

| | <u>Total (General)</u> |
|---|----------------------------|
| Revenues: | |
| Charges for services – fire protection: | |
| Lockport Township | 130 950 00 |
| Fabius Township | 138 200 00 |
| Park Township | 129 200 00 |
| Flowerfield Township | 15 000 00 |
| Interest | 480 02 |
| Miscellaneous | <u>1 225 70</u> |
| Total revenues | <u>415 055 72</u> |
| Expenditures: | |
| Public safety: | |
| Fire protection: | |
| Salaries, wages and payroll taxes | 69 398 41 |
| Supplies | 3 327 79 |
| Gas and oil | 5 159 95 |
| Telephone | 1 209 29 |
| Insurance | 39 475 54 |
| Utilities | 5 172 74 |
| Parts and maintenance | 21 795 13 |
| Audit and legal | 25 145 00 |
| Buildings and grounds | 975 00 |
| Miscellaneous | 11 654 88 |
| Capital outlay | <u>226 165 89</u> |
| Total expenditures | <u>409 479 62</u> |
| Excess (deficiency) of revenues over expenditures | 5 576 10 |
| Fund balance, April 1 | <u>34 724 68</u> |
| Fund Balance, March 31 | <u><u>40 300 78</u></u> |

The accompanying notes are an integral part of these financial statements.

LOCKPORT, FABIUS, PARK TOWNSHIPS FIRE DEPARTMENT
St. Joseph County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

NET CHANGE IN FUND BALANCE – TOTAL GOVERNMENTAL FUND 5 576 10

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

| | |
|-------------------------------------|-------------------|
| Loss on Disposition of Fixed Assets | (138 35) |
| Depreciation Expense | (87 922 14) |
| Capital Outlay | <u>226 165 89</u> |

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES 143 681 50

The accompanying notes are an integral part of these financial statements.

LOCKPORT, FABIUS, PARK TOWNSHIPS FIRE DEPARTMENT
St. Joseph County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Lockport, Fabius, Park Townships Fire Department, St. Joseph County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Fire Department contain all the Fire Department funds that are controlled by or dependent on the Fire Department's executive or legislative branches.

The reporting entity is the Lockport, Fabius, Park Township's Fire Department. The Fire Department is governed by an elected Fire Board. As required by generally accepted accounting principles, these financial statements present the Fire Department as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Fire Department's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

LOCKPORT, FABIUS, PARK TOWNSHIPS FIRE DEPARTMENT
St. Joseph County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The Fire Department reports only one fund as follows:

- The General Fund is used to record the operations of the Fire Department which pertain to maintaining and operating the Fire Department. Included are all transactions related to the approved current operating budget.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Fire Department. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

The Fire Department does not levy any property taxes.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Fire Department as assets with an initial cost of more than \$150.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

| | |
|----------------------------|------------|
| Buildings and improvements | 7-39 years |
| Vehicles and equipment | 5-15 years |

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Fire Department provides no post-employment benefits to past employees.

LOCKPORT, FABIUS, PARK TOWNSHIPS FIRE DEPARTMENT
St. Joseph County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Fire Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Fire Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Fire Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Fire Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Fire Department to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Fire Board has designated one bank for the deposit of Fire Department funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

LOCKPORT, FABIUS, PARK TOWNSHIPS FIRE DEPARTMENT
St. Joseph County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 3 – Deposits and Investments (continued)

The Fire Department's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

| | <u>Carrying Amounts</u> |
|----------------|-----------------------------|
| Total Deposits | <u>57 416 14</u> |

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

| | <u>Bank Balances</u> |
|--------------------------------|--------------------------|
| Insured (FDIC) | 68 003 47 |
| Uninsured and Uncollateralized | <u>-</u> |
| Total Deposits | <u>68 003 47</u> |

The Lockport, Fabius, Park Townships Fire Department did not have any investments as of March 31, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Fire Department manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds and the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Fire Department contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Fire Department's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Fire Department's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

LOCKPORT, FABIUS, PARK TOWNSHIPS FIRE DEPARTMENT
St. Joseph County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 4 – Capital Assets

Capital asset activity of the Fire Department's Governmental activities for the current year was as follows:

| | Balance 4/1/07 | Additions | Deletions | Balance 3/31/08 |
|---------------------------------|---------------------|--------------------|-------------------|---------------------|
| <u>Governmental Activities:</u> | | | | |
| Land | - | 184 957 49 | - | 184 957 49 |
| Buildings and improvements | 225 023 70 | 4 260 00 | - | 229 283 70 |
| Vehicles and equipment | <u>1 231 239 89</u> | <u>36 948 40</u> | <u>(8 249 98)</u> | <u>1 259 938 31</u> |
| Total | 1 456 263 59 | 226 165 89 | (8 249 98) | 1 674 179 50 |
| Accumulated Depreciation | <u>(830 675 04)</u> | <u>(87 922 14)</u> | <u>8 111 63</u> | <u>(910 485 55)</u> |
| Net Capital Assets | <u>625 588 55</u> | <u>138 243 75</u> | <u>(138 35)</u> | <u>763 693 95</u> |

Note 5 – Deferred Compensation Plan

The Fire Department does not have a deferred compensation plan.

Note 6 – Risk Management

The Fire Department is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Fire Department has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 7 – Pension Plan

The Fire Department does not have a pension plan.

LOCKPORT, FABIUS, PARK TOWNSHIPS FIRE DEPARTMENT
St. Joseph County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2008

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Over (Under)</u> |
|--|----------------------------|-------------------------|-------------------|--|
| Revenues: | | | | |
| Charges for services – fire protection: | | | | |
| Lockport Township | 87 250 00 | 148 916 67 | 130 950 00 | (17 966 67) |
| Fabius Township | 89 250 00 | 150 916 67 | 138 200 00 | (12 716 67) |
| Park Township | 83 250 00 | 144 916 67 | 129 200 00 | (15 716 67) |
| Flowerfield Township | 13 400 00 | 13 400 00 | 15 000 00 | 1 600 00 |
| Interest | 400 00 | 400 00 | 480 02 | 80 02 |
| Miscellaneous | <u>12 00</u> | <u>11 99</u> | <u>1 225 70</u> | <u>1 213 71</u> |
| Total revenues | <u>273 562 00</u> | <u>458 562 00</u> | <u>415 055 72</u> | <u>(43 506 28)</u> |
| Expenditures: | | | | |
| Public safety: | | | | |
| Fire protection | 204 222 00 | 204 222 00 | 183 313 73 | (20 908 27) |
| Capital outlay | <u>69 340 00</u> | <u>254 340 00</u> | <u>226 165 89</u> | <u>(28 174 11)</u> |
| Total expenditures | <u>273 562 00</u> | <u>458 562 00</u> | <u>409 479 62</u> | <u>(49 082 38)</u> |
| Excess (deficiency) of revenues over expenditures | - | - | 5 576 10 | 5 576 10 |
| Fund balance, April 1 | <u>-</u> | <u>-</u> | <u>34 724 68</u> | <u>34 724 68</u> |
| Fund Balance, March 31 | <u>-</u> | <u>-</u> | <u>40 300 78</u> | <u>40 300 78</u> |

CAMPBELL, KUSTERER & CO., P.C.

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

July 23, 2008

To the Fire Board
Lockport, Fabius, Park Township's Fire Department
St. Joseph County, Michigan

We have audited the financial statements of the Lockport, Fabius, Park Township's Fire Department for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Lockport, Fabius, Park Township's Fire Department in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Fire Board
Lockport, Fabius, Park Township's Fire Department
St. Joseph County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed no conditions that we would like to bring to your attention.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Fire Department's financial statements and this communication of these matters does not affect our report on the Fire Department's financial statements, dated March 31, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants